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CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2004

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Release Date 11-24-04

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INDEPENDENT AUDITORS' REPORT

* A Professional Accounting Corporation

The Honorable Levi Schexnider, Mayor,
and Members of the City Council
City of Kaplan, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 9, 2004, on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 46 through 47 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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The City of Kaplan has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan, Louisiana's basic financial statements. The other supplementary information on pages 50 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the basic financial statements of the City of Kaplan, Louisiana.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
September 9, 2004

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF KAPLAN, LOUISIANA

Statement of Net Assets
 June 30, 2004
 With Comparative Totals for June 30, 2003

	2004			2003 Totals
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and interest-bearing deposits	\$ 765,027	\$ 102,904	\$ 867,931	\$ 635,048
Receivables, net	75,597	976,313	1,051,910	1,290,289
Due from other governmental units	93,577	-	93,577	99,021
Total current assets	<u>934,201</u>	<u>1,079,217</u>	<u>2,013,418</u>	<u>2,024,358</u>
Noncurrent assets:				
Restricted assets:				
Cash and interest-bearing deposits	-	615,274	615,274	986,437
Capital assets, net	4,980,657	9,863,123	14,843,780	14,606,491
Deferred charges	-	-	-	7,531
Total noncurrent assets	<u>4,980,657</u>	<u>10,478,397</u>	<u>15,459,054</u>	<u>15,600,459</u>
Total assets	<u>5,914,858</u>	<u>11,557,614</u>	<u>17,472,472</u>	<u>17,624,817</u>
LIABILITIES				
Current liabilities:				
Accounts and other payables	102,377	723,123	825,500	988,617
Compensated absences payable	20,888	21,563	42,451	41,240
Internal balances	(301,649)	301,649	-	-
Deferred revenue	-	8,148	8,148	8,148
Notes payable	-	563,462	563,462	-
Accrued interest	13,009	15,998	29,007	38,495
Short term debt payable	40,000	746,944	786,944	728,808
Total current liabilities	<u>(125,375)</u>	<u>2,380,887</u>	<u>2,255,512</u>	<u>1,805,308</u>
Noncurrent liabilities:				
Compensated absences payable	16,789	-	16,789	16,606
Customer deposits payable	-	238,161	238,161	231,643
Long term debt payable	535,000	568,600	1,103,600	1,889,444
Deferred revenue	-	4,074	4,074	12,223
Total noncurrent liabilities	<u>551,789</u>	<u>810,835</u>	<u>1,362,624</u>	<u>2,149,916</u>
Total liabilities	<u>426,414</u>	<u>3,191,722</u>	<u>3,618,136</u>	<u>3,955,224</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,405,657	8,345,232	12,750,889	12,668,308
Restricted for debt service	166,820	-	166,820	233,984
Unrestricted	915,967	20,660	936,627	767,301
Total net assets	<u>\$ 5,488,444</u>	<u>\$ 8,365,892</u>	<u>\$ 13,854,336</u>	<u>\$ 13,669,593</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2004

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 807,717	\$ 173,242	\$ -	\$ -	\$ (634,475)	\$ -	\$ (634,475)
Public safety:							
Police	736,039	38,977	2,671	-	(694,391)	-	(694,391)
Fire	241,914	-	32,240	43,605	(166,069)	-	(166,069)
Streets	455,293	-	-	-	(455,293)	-	(455,293)
Culture and recreation	42,531	-	-	7,783	(34,748)	-	(34,748)
Interest on long-term debt	34,240	-	-	-	(34,240)	-	(34,240)
Total governmental activities	2,317,734	212,219	34,911	51,388	(2,019,216)	-	(2,019,216)
Business-type activities:							
Electric	3,021,061	4,325,442	-	-	-	1,304,381	1,304,381
Gas	821,157	864,633	-	-	-	43,476	43,476
Water	442,944	488,200	-	-	-	45,256	45,256
Sewerage	327,262	346,879	-	-	-	19,617	19,617
Total business-type activities	4,598,429	6,025,154	-	-	-	1,426,725	1,426,725
Total	\$ 6,916,163	\$ 6,237,373	\$ 34,911	\$ 51,388	(2,019,216)	1,426,725	(592,491)
General revenues:							
Taxes -							
Property taxes, levied for general purposes					61,039	-	61,039
Sales and use taxes, levied for general purposes					485,735	-	485,735
Franchise and beer taxes					32,394	-	32,394
Property taxes, levied for bond retirement					86,543	-	86,543
Grants and contributions not restricted to specific programs -							
State sources					4,480	-	4,480
Interest and investment earnings					3,235	10,211	13,446
Miscellaneous					88,711	17,663	106,374
Loss on sale of capital assets					-	(12,777)	(12,777)
Transfers					1,217,030	(1,217,030)	-
Total general revenues and transfers					1,979,167	(1,201,933)	777,234
Change in net assets					(40,049)	224,792	184,743
Net assets - July 1, 2003					5,528,493	8,141,100	13,669,593
Net assets - June 30, 2004					\$ 5,488,444	\$ 8,365,892	\$ 13,854,336

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipts and use of proceeds of the City's one percent sales and use tax. These taxes are dedicated for the following purposes: (1) Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public and (2) Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding into bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

Enterprise Fund

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy,

Utility Fund -

To account for the provision of electric, gas, water and sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF KAPLAN, LOUISIANA

Balance Sheet
Governmental Funds

June 30, 2004

With Comparative Totals for June 30, 2003

	General	Sales Tax	Other Governmental Funds	Totals (Memorandum Only)	
				2004	2003
ASSETS					
Cash and cash equivalents	\$ 63,629	\$ 383,162	\$ 277,607	\$ 724,398	\$ 606,780
Receivables:					
Due from other funds	500	528,752	-	529,252	862,172
Due from other governmental entities	10,419	82,556	602	93,577	99,021
Accrued interest receivable	-	-	743	743	941
Other receivables	2,985	881	-	3,866	986
Total assets	<u>\$ 77,533</u>	<u>\$ 995,351</u>	<u>\$ 278,952</u>	<u>\$ 1,351,836</u>	<u>\$ 1,569,900</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 25,551	\$ 725	\$ -	\$ 26,276	\$ 17,546
Retirement payable	18,515	-	-	18,515	-
Compensated absences payable	20,888	-	-	20,888	20,310
Due to other funds	227,103	-	500	227,603	233,754
Total liabilities	<u>292,057</u>	<u>725</u>	<u>500</u>	<u>293,282</u>	<u>271,610</u>
Fund balances -					
Reserve for debt retirement	-	-	179,829	179,829	161,752
Unreserved, designated for subsequent years' expenditures	-	19,429	-	19,429	-
Unreserved, undesignated	(214,524)	975,197	98,623	859,296	1,136,538
Total fund balances	<u>(214,524)</u>	<u>994,626</u>	<u>278,452</u>	<u>1,058,554</u>	<u>1,298,290</u>
Total liabilities and fund balances	<u>\$ 77,533</u>	<u>\$ 995,351</u>	<u>\$ 278,952</u>	<u>\$ 1,351,836</u>	<u>\$ 1,569,900</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds at June 30, 2004		\$ 1,058,554
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 114,547	
Building, net of \$394,645 accumulated depreciation	627,976	
Infrastructure, net of \$5,136,075 accumulated depreciation	3,682,488	
Equipment, net of \$645,233 accumulated depreciation	<u>555,646</u>	4,980,657
Elimination of interfund assets and liabilities		
Due from other funds	227,603	
Due to other funds	<u>(227,603)</u>	-
Long-term liabilities at June 30, 2004:		
Bonds payable	(575,000)	
Accrued interest payable	(13,009)	
Compensated absences payable	<u>(16,789)</u>	(604,798)
Net assets of the Group Insurance Self - Insurance Internal Service Fund		<u>54,031</u>
Total net assets of governmental activities at June 30, 2004		<u>\$ 5,488,444</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	General	Sales Tax	Other Governmental Funds	Totals (Memorandum Only)	
				2004	2003
Revenues:					
Taxes	\$ 61,039	\$ 485,735	\$ -	\$ 546,774	\$ 514,581
Licenses and permits	190,984	-	-	190,984	176,706
Intergovernmental	22,569	7,783	171,120	201,472	269,670
Fines and forfeits	29,479	-	-	29,479	38,827
Interest income	-	1,081	2,154	3,235	3,529
Miscellaneous	33,541	37,398	17,772	88,711	95,103
Total revenues	<u>337,612</u>	<u>531,997</u>	<u>191,046</u>	<u>1,060,655</u>	<u>1,098,416</u>
Expenditures:					
Current -					
General government	604,818	205,968	-	810,786	845,246
Public safety:					
Police	738,504	-	11,222	749,726	735,423
Fire	195,750	-	38,273	234,023	213,667
Streets, bridges, and drainage	473,745	-	-	473,745	471,158
Culture and recreation	39,983	-	-	39,983	37,228
Capital outlay	-	99,068	40,120	139,188	140,034
Debt service -					
Principal retirement	-	-	35,000	35,000	665,000
Interest and fiscal charges	-	-	34,970	34,970	57,765
Total expenditures	<u>2,052,800</u>	<u>305,036</u>	<u>159,585</u>	<u>2,517,421</u>	<u>3,165,521</u>
Excess (deficiency) of revenues over expenditures	<u>(1,715,188)</u>	<u>226,961</u>	<u>31,461</u>	<u>(1,456,766)</u>	<u>(2,067,105)</u>
Other financing sources (uses):					
Transfers in	1,662,867	-	-	1,662,867	2,325,645
Transfers out	(260,481)	(185,356)	-	(445,837)	(295,062)
Total other financing sources (uses)	<u>1,402,386</u>	<u>(185,356)</u>	<u>-</u>	<u>1,217,030</u>	<u>2,030,583</u>
Net changes in fund balances	(312,802)	41,605	31,461	(239,736)	(36,522)
Fund balances, beginning	<u>98,278</u>	<u>953,021</u>	<u>246,991</u>	<u>1,298,290</u>	<u>1,334,812</u>
Fund balances, ending	<u>\$ (214,524)</u>	<u>\$ 994,626</u>	<u>\$ 278,452</u>	<u>\$ 1,058,554</u>	<u>\$ 1,298,290</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2004

Total net changes in fund balances at June 30, 2004 per
 Statement of Revenues, Expenditures and Changes in Fund Balances \$(239,736)

The change in net assets reported for governmental activities in the
 statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
 in the statement of activities, the cost of those assets is allocated over
 their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 139,188	
Depreciation expense for the year ended June 30, 2004	<u>(115,917)</u>	23,271

Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable balance on the statement of net assets	35,000
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Add: Net income on the Group Insurance Self- Insurance Internal Service Fund	140,869
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Add: Excess of compensated absences earned over compensated absences used	(183)
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Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis	<u>730</u>
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Total changes in net assets at June 30, 2004 per Statement of Activities	<u>\$ (40,049)</u>
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CITY OF KAPLAN, LOUISIANA

Proprietary Funds
Comparative Statement of Net Assets
June 30, 2004 and 2003

	Business-type Activities -		Governmental Activities -	
	Enterprise Fund		Internal Service Fund	
	2004	2003	2004	2003
ASSETS				
Current assets:				
Cash	\$ 102,904	\$ 28,268	\$ 40,629	\$ -
Receivables:				
Accounts, net of allowance for uncollectible of \$342,052 for 2004 and \$305,108 for 2003	549,558	727,351	-	-
Unbilled utility receivables	425,933	451,057	-	-
Accrued interest receivable	822	4,860	-	-
Other	-	-	70,988	105,094
Due from other funds	-	170	-	-
Total current assets	<u>1,079,217</u>	<u>1,211,706</u>	<u>111,617</u>	<u>105,094</u>
Noncurrent assets:				
Restricted assets -				
Interest-bearing deposits	615,274	986,437	-	-
Capital assets, net of accumulated depreciation	9,863,123	9,649,105	-	-
Deferred charges	-	7,531	-	-
Total noncurrent assets	<u>10,478,397</u>	<u>10,643,073</u>	<u>-</u>	<u>-</u>
Total assets	<u>11,557,614</u>	<u>11,854,779</u>	<u>111,617</u>	<u>105,094</u>
LIABILITIES				
Current liabilities:				
Cash overdraft	-	-	-	40,527
Accounts payable	713,820	779,139	-	-
Retirement payable	9,303	-	-	-
Compensated absences payable	21,563	20,930	-	-
Claims payable	-	-	57,586	151,405
Due to other funds	301,649	628,588	-	-
Deferred revenue	8,148	8,148	-	-
Payable from restricted assets -				
Notes payable	563,462	-	-	-
Revenue bonds, net of deferred amount on refunding	746,944	693,808	-	-
Accrued interest payable	15,998	24,756	-	-
Total current liabilities	<u>2,380,887</u>	<u>2,155,369</u>	<u>57,586</u>	<u>191,932</u>
Noncurrent liabilities:				
Customers' deposits payable	238,161	231,643	-	-
Revenue bonds, net of deferred amount on refunding	568,600	1,314,444	-	-
Deferred revenue	4,074	12,223	-	-
Total noncurrent liabilities	<u>810,835</u>	<u>1,558,310</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,191,722</u>	<u>3,713,679</u>	<u>57,586</u>	<u>191,932</u>
NET ASSETS				
Invested in capital assets, net of related debt	8,345,232	8,334,661	-	-
Restricted for debt service	-	36,230	-	-
Unrestricted	20,660	(229,791)	54,031	(86,838)
Total net assets	<u>\$ 8,365,892</u>	<u>\$ 8,141,100</u>	<u>\$ 54,031</u>	<u>\$ (86,838)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Proprietary Funds
 Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Years Ended June 30, 2004 and 2003

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund	
	2004	2003	2004	2003
Operating revenues:				
Charges for services	\$6,025,154	\$ 5,896,248	\$589,554	\$474,898
Operating expenses:				
Electricity department expenses	2,877,374	2,670,971	-	-
Gas department expenses	703,781	683,394	-	-
Water department expenses	290,179	257,863	-	-
Sewerage department expenses	227,012	193,688	-	-
Depreciation expense	384,638	377,701	-	-
Self insurance expenses	-	-	449,692	567,807
Total operating expenses	<u>4,482,984</u>	<u>4,183,617</u>	<u>449,692</u>	<u>567,807</u>
Operating income (loss)	<u>1,542,170</u>	<u>1,712,631</u>	<u>139,862</u>	<u>(92,909)</u>
Nonoperating revenues (expenses):				
Interest income	10,211	15,901	1,007	568
Franchise fee	17,663	18,219	-	-
Interest expense	(106,814)	(140,442)	-	-
Amortization of bond issuance costs	(8,631)	(12,001)	-	-
Loss on sale of assets	(12,777)	-	-	-
Total nonoperating revenues (expenses)	<u>(100,348)</u>	<u>(118,323)</u>	<u>1,007</u>	<u>568</u>
Income (loss) before contributions and transfers	<u>1,441,822</u>	<u>1,594,308</u>	<u>140,869</u>	<u>(92,341)</u>
Capital contributions	-	214,543	-	-
Transfers in (out):				
Transfers in	253,314	160,326	-	-
Transfers out	(1,470,344)	(2,190,909)	-	-
Total transfers in (out)	<u>(1,217,030)</u>	<u>(2,030,583)</u>	<u>-</u>	<u>-</u>
Change in net assets	224,792	(221,732)	140,869	(92,341)
Net assets, beginning	<u>8,141,100</u>	<u>8,362,832</u>	<u>(86,838)</u>	<u>5,503</u>
Net assets, ending	<u>\$8,365,892</u>	<u>\$ 8,141,100</u>	<u>\$ 54,031</u>	<u>\$ (86,838)</u>

The accompanying notes are an integral part of this statement.

CITY OF KAPLAN, LOUISIANA

Comparative Statement of Cash Flows
 Proprietary Funds
 For the Years Ended June 30, 2004 and 2003

	Business-Type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund	
	2004	2003	2004	2003
Cash flows from operating activities:				
Receipts from customers	\$ 6,228,071	\$ 5,603,963	\$ 623,660	\$ 437,579
Payments to suppliers	(3,701,767)	(3,092,304)	(584,038)	(444,121)
Payments to employees	(447,332)	(480,520)	-	-
Net cash provided (used) by operating activities	<u>2,078,972</u>	<u>2,031,139</u>	<u>39,622</u>	<u>(6,542)</u>
Cash flows from noncapital financing activities:				
Federal grants and other contributions	-	214,543	-	-
Franchise fees	17,637	18,219	-	-
Cash received from other funds	170	254	-	-
Cash paid to other funds	(340,669)	-	-	-
Meter deposits, net of refunds	6,518	18,191	-	-
Transfers from other funds	253,314	160,326	-	-
Transfers to other funds	(1,470,344)	(2,190,909)	-	-
Net cash used by noncapital financing activities	<u>(1,533,374)</u>	<u>(1,779,376)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from short term financing	563,462	-	-	-
Proceeds from bond refunding	-	875,000	-	-
Principal paid on bonds	(722,000)	(822,000)	-	-
Interest and fiscal charges paid on bonds	(86,403)	(119,531)	-	-
Acquisition of capital assets	(611,433)	(129,344)	-	-
Net cash used by capital and related financing activities	<u>(856,374)</u>	<u>(195,875)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>14,249</u>	<u>15,653</u>	<u>1,007</u>	<u>568</u>
Net cash provided by investing activities	<u>14,249</u>	<u>15,653</u>	<u>1,007</u>	<u>568</u>
Net increase (decrease) in cash and cash equivalents	(296,527)	71,541	40,629	(5,974)
Cash and cash equivalents, beginning of period	<u>1,014,705</u>	<u>943,164</u>	<u>-</u>	<u>5,974</u>
Cash and cash equivalents, end of period	<u>\$ 718,178</u>	<u>\$ 1,014,705</u>	<u>\$ 40,629</u>	<u>\$ -</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Comparative Statement of Cash Flows
 Proprietary Funds (continued)
 For the Years Ended June 30, 2004 and 2003

	Business-Type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund	
	2004	2003	2004	2003
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,542,170	\$ 1,712,631	\$ 139,862	\$ (92,909)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	384,638	377,701	-	-
Loss on sale of assets	12,777	-	-	-
Changes in current assets and liabilities:				
Decrease (increase) in accounts receivable, net	177,793	(231,577)	-	-
Decrease (increase) in unbilled utility receivables	25,125	(60,708)	-	-
Decrease (increase) in stop loss receivable	-	-	34,106	(37,319)
(Decrease) increase in accounts payable	(65,319)	267,414	-	-
Increase in retirement payable	9,303	-	-	-
(Decrease) increase in cash overdraft	-	-	(40,527)	40,527
(Decrease) increase in claims in process	-	-	(93,819)	83,159
Decrease in deferred revenues	(8,148)	(8,148)	-	-
Increase (decrease) in compensated absences payable	633	(26,174)	-	-
Net cash provided (used) by operating activities	<u>\$ 2,078,972</u>	<u>\$ 2,031,139</u>	<u>\$ 39,622</u>	<u>\$ (6,542)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:				
Cash and cash equivalents, beginning of period -				
Cash - unrestricted	\$ 28,268	\$ 50,691	\$ -	\$ 5,974
Interest-bearing deposits - restricted	986,437	892,473	-	-
Total cash and cash equivalents	<u>1,014,705</u>	<u>943,164</u>	<u>-</u>	<u>5,974</u>
Cash and cash equivalents, end of period -				
Cash - unrestricted	\$ 102,904	\$ 28,268	\$ 40,629	\$ -
Interest-bearing deposits - restricted	615,274	986,437	-	-
Total cash and cash equivalents	<u>718,178</u>	<u>1,014,705</u>	<u>40,629</u>	<u>-</u>
Net increase (decrease)	<u>\$ (296,527)</u>	<u>\$ 71,541</u>	<u>\$ 40,629</u>	<u>\$ (5,974)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the City of Kaplan (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City of Kaplan was incorporated in 1902 under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety, police, fire, civil defense, highways and streets, sanitation, culture – recreation, public improvements, planning and zoning, and general administrative services.

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, The Financial Reporting Entity, establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a State or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the foregoing criteria, the following governmental organizations are not considered part of the City and are thus excluded from the accompanying financial statements for the reasons noted:

The Kaplan Housing Authority was chartered by the City, and its Board of Directors was appointed by the Mayor and City Council. However, the City's oversight responsibilities in the management of operations and financial accountability are remote.

The City of Kaplan has no authority over nor is it involved with the record keeping of the Kaplan Volunteer Fire Department.

The Kaplan City Court is operated under the directorship of the Kaplan City Judge who is an elected public official. Revenues are derived from court costs and appropriations from the City's General Fund. However, the City cannot significantly influence operations nor does it have responsibility for fiscal management.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities displays information about the City of Kaplan, the reporting government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's internal service fund is a governmental activity. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the City.

The various funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The major funds of the City are described below:

Governmental Funds –

General Fund

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Fund –

Sales Tax Fund –

The Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for a specific purpose.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proprietary Funds -

The City reports the following major enterprise fund:

Utility Fund

The Utility fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all applicable FASB pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund.

Other Fund Types -

The City also reports the following fund types:

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City's internal service fund is the Self Insurance Fund. This proprietary fund is reported with governmental activities in the government-wide statements.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Program revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City’s general revenues.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Allocation of indirect expenses

The City reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Liabilities and Equity

Cash, interest-bearing deposits, and investments

For purposes of the statements of net assets, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the City. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Investments

Under state law, the City may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$342,052 and \$305,108 at June 30, 2004 and 2003; respectively. Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5-30 years
Utility system and improvements	25 years
Infrastructure	20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Sick leave vest only upon retirement, therefore an accrual is made only when an employee is eligible for retirement. Amounts are accrued when incurred in proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character:
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Electricity, gas, water and sewer revenue	Debt service and utility operations

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

G. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Clerk prepares a proposed budget for the fiscal year and submits it to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Council.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. Report Classification

Certain previously reported amounts for the year ended June 30, 2003 have been reclassified to conform to the June 30, 2004 classifications.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City on September 1 and are actually billed to taxpayers in November. The taxes are generally collected in December of the current year and January and February of the subsequent year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the years ended June 30, 2004, and 2003, taxes of 10.24 mills were levied on property with assessed valuations totaling \$14,517,550 and \$13,630,340 and were dedicated as follows:

General corporate purposes	4.13 mills
Bond indebtedness	<u>6.11</u> mills
Total	<u>10.24</u> mills

Total taxes levied at June 30, 2004 and 2003 were \$148,661 and \$139,575, respectively. There were no ad valorem taxes receivable at June 30, 2004 and 2003.

(3) Dedication of Proceeds and Flow of Funds – Sales and Use Tax Levies

Proceeds of the one percent sales and use tax levied by the City (2004 collections \$485,735; 2003 \$458,445) are dedicated to the following purposes:

1. Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public.
2. Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding into bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

Proceeds of the sales and use tax have been pledged and dedicated to the retirement of Refunding Certificates of Indebtedness, Series 2002, dated December 2, 2002.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The City may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. At June 30, 2004, the City has cash and interest-bearing deposits (book balances) totaling \$1,483,205 as follows:

Demand deposits	\$ 239,318
Savings and certificates of deposits	<u>1,243,887</u>
Total	<u>\$1,483,205</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2004 are secured as follows:

Bank balances	<u>\$ 1,948,387</u>
Federal deposit insurance	564,899
Pledged securities (Category 3)	<u>1,383,488</u>
Total insurance and pledged securities	<u>\$ 1,948,387</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2004 of \$1,051,910 consist of the following:

	<u>General</u>	<u>Sales Tax</u>	<u>Utility</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ 549,558	\$ -	\$ 549,558
Unbilled revenue	-	-	425,933	-	425,933
Stop loss	70,988	-	-	-	70,988
Accrued interest	-	-	822	743	1,565
Other	<u>2,985</u>	<u>881</u>	<u>-</u>	<u>-</u>	<u>3,866</u>
Totals	<u>\$ 73,973</u>	<u>\$ 881</u>	<u>\$ 976,313</u>	<u>\$ 743</u>	<u>\$ 1,051,910</u>

(6) Due from Other Governmental Units

Amounts due from other governmental units consisted of the following at June 30, 2004:

Amount due from Kaplan City Court for fines collected at fiscal year ending June 30, 2004	\$ 2,182
Amount due from the Kaplan Housing Authority for June 30, 2004	3,572
Amount due from the State of Louisiana Department of Transportation at fiscal year ending June 30, 2004	2,303
Amount due from the State of Louisiana Department of Revenue for Beer Taxes owed at fiscal year ending June 30, 2004	2,964
Amount due from the Vermilion Parish School Board for sales taxes owed at fiscal year ending June 30, 2004	72,761
Amount due from the Department of Treasury at fiscal year ending June 30, 2004	<u>9,795</u>
	<u>\$ 93,577</u>

(7) Restricted Assets – Propriety Fund Type (Enterprise Utility Fund)

Restricted assets were applicable to the following at June 30, 2004:

	<u>2004</u>	<u>2003</u>
Customers' deposits	\$ 238,161	\$ 231,643
Bond sinking fund account	332,837	270,143
Bond sinking fund account	22,662	425,930
Bond capital addition and contingency fund account	<u>21,614</u>	<u>58,721</u>
Total restricted assets	<u>\$ 615,274</u>	<u>\$ 986,437</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance 06/30/03	Additions	Deletions	Balance 06/30/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Other capital assets:				
Buildings	1,022,621	-	-	1,022,621
Infrastructure	8,818,563	-	-	8,818,563
Equipment, furniture and fixtures	<u>1,092,911</u>	<u>139,188</u>	<u>31,220</u>	<u>1,200,879</u>
Totals	<u>11,048,642</u>	<u>139,188</u>	<u>31,220</u>	<u>11,156,610</u>
Less accumulated depreciation				
Buildings	365,557	29,088	-	394,645
Infrastructure	5,136,075	-	-	5,136,075
Equipment, furniture and fixtures	<u>589,624</u>	<u>86,829</u>	<u>31,220</u>	<u>645,233</u>
Total accumulated depreciation	<u>6,091,256</u>	<u>115,917</u>	<u>31,220</u>	<u>6,175,953</u>
Governmental activities, capital assets, net	<u>\$ 4,957,386</u>	<u>\$ 23,271</u>	<u>\$ -</u>	<u>\$ 4,980,657</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ 179,309	\$ -	\$ 179,309
Construction in progress	-	384,153	-	384,153
Other capital assets:				
Buildings and systems	15,351,646	21,674	4,059	15,369,261
Machinery and equipment	340,520	15,993	-	356,513
Automobiles	<u>185,854</u>	<u>10,304</u>	<u>39,707</u>	<u>156,451</u>
Total other capital assets	<u>15,878,020</u>	<u>611,433</u>	<u>43,766</u>	<u>16,445,687</u>
Less accumulated depreciation				
Buildings and systems	5,940,744	341,162	1,487	6,280,419
Machinery and equipment	150,437	24,344	-	174,781
Automobiles	<u>137,734</u>	<u>19,132</u>	<u>29,502</u>	<u>127,364</u>
Total accumulated depreciation	<u>6,228,915</u>	<u>384,638</u>	<u>30,989</u>	<u>6,582,564</u>
Business-type activities, capital assets, net	<u>\$ 9,649,105</u>	<u>\$ 226,795</u>	<u>\$ 12,777</u>	<u>\$ 9,863,123</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 32,434
Police	38,748
Fire	21,803
Streets	18,772
Recreation	<u>4,160</u>
Total depreciation expense	<u>\$ 115,917</u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 68,648
Gas	82,600
Water	141,221
Sewer	<u>92,169</u>
Total depreciation expense	<u>\$384,638</u>

(9) Accounts, Salaries, and Other Payables

The accounts and other payables consisted of the following at June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 26,276	\$ 713,820	\$740,096
Retirement	18,515	9,303	27,818
Claims in process	<u>57,586</u>	<u>-</u>	<u>57,586</u>
Totals	<u>\$ 102,377</u>	<u>\$ 723,123</u>	<u>\$825,500</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(10) Notes Payable

Notes payable consisted of the following at June 30, 2004:

Note payable to Hibernia Bank dated June 28, 2004, in the original amount of \$2,290,000, payable in full at the maturity date June 28, 2005, including interest at 1.91 percent annum, secured by a pledge of revenues derived from the City's waterworks, electric distribution, sewerage and natural gas transmission and distribution systems.	\$ 188,462
Note payable to Louisiana Public Facilities Authority (LPFA) dated June 28, 2004 in the original amount of \$375,000, payable in full at the maturity date of June 28, 2005, including 0.00 percent annum, secured by revenue derived from the City's waterworks, electric distribution, sewerage and natural gas transmission and distribution system.	<u>375,000</u>
Total notes payable	<u>\$ 563,462</u>

(11) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2004:

	Governmental Activities	Business-type Activities	Total
Long-term bonds payable, July 1, 2004	\$ 610,000	\$ 2,008,252	\$ 2,618,252
Long-term bonds retired	<u>(35,000)</u>	<u>(692,708)</u>	<u>(727,708)</u>
Long-term bonds payable, June 30, 2004	<u>\$ 575,000</u>	<u>\$ 1,315,544</u>	<u>\$ 1,890,544</u>

Bonds payable at June 30, 2004, are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$500,000 General Obligation Bonds, Series 1995A, due in annual installments of \$15,000 to \$45,000 through February 1, 2015; at interest rates of 5.00% to 9.00% (to be retired from the proceeds of ad valorem taxes)	\$ 360,000
\$300,000 General Obligation Bonds, Series 1995B, due in annual installments of \$10,000 to \$25,000 through February 1, 2015; at interest rates of 5.00% to 9.00% (to be retired from the proceeds of ad valorem taxes)	<u>215,000</u>
Total general obligation bonds	<u>\$ 575,000</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Revenue Bonds:

\$100,000 Utilities Revenue Bonds, Series 1994, due in annual installments of \$5,000 to \$9,000 through April 1, 2009; interest rate of 5.40% (to be retired from income derived from the acquired or constructed assets)	\$ 40,000
\$875,000 Refunding Revenue Bonds, Series 2002, due in annual installments of \$160,000 to \$185,000 through September 1, 2007; at interest rates of 2.50% to 3.75% (to be retired from excess annual revenue)	710,000
\$1,790,000 Utilities Revenue Refunding Bonds, Series 1997, due in annual installments of \$25,000 to \$580,000 through April 1, 2005; interest rates of 5.00% (to be retired from income derived from the acquired or constructed assets)	<u>580,000</u>
Total revenue bonds	1,330,000
Less: deferred amount on refunding	<u>(14,456)</u>
Net	<u>\$ 1,315,544</u>

The bonds are due as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	
2005	\$ 40,000	\$ 31,220	\$ 757,000	\$ 53,023	\$ 881,243
2006	40,000	29,180	183,000	17,951	270,131
2007	40,000	27,100	188,000	11,438	266,538
2008	45,000	24,980	193,000	4,387	267,367
2009	50,000	22,550	9,000	486	82,036
2010-2014	290,000	69,300	-	-	359,300
2015	70,000	3,850	-	-	73,850
Totals	<u>\$ 575,000</u>	<u>\$ 208,180</u>	<u>\$ 1,330,000</u>	<u>\$ 87,285</u>	<u>\$ 2,200,465</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Defeasance of Debt:

On April 1, 1997, the City issued \$1,790,000 of Utilities Revenue Refunding Bonds, Series 1997, with an interest rate of 5.00% for the purpose of refunding \$1,645,000 of outstanding Utilities Revenue Bonds, Series 1990, maturing April 1, 2000 to April 1, 2005, bearing interest at the rates of 7.50% to 7.75% and paying the costs of issuance of the bonds. The proceeds of \$1,752,261 (after payment of \$37,739 issuance costs and fees) were deposited into an irrevocable trust with an escrow agent to defease the Utilities Revenue Bonds, Series 1990, on April 1, 1999, at a 1.50% redemption premium. As a result, the Utilities Revenue Bonds, Series 1990, maturing April 1, 2000 to April 1, 2005, are considered to be defeased and the liability has been removed from the City's books. This advance refunding was undertaken to reduce total debt service payments over the next eight years by \$119,417 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$98,697. The reacquisition price exceeded the net carrying amount of the old debt by \$107,261. This amount is being netted against the new debt and amortized over the new debt's life.

On May 1, 1998, the City issued \$1,520,000 of Utility Revenue Refunding Bonds, Series 1998, with an interest rate of 6.95% for the purpose of refunding \$1,415,500 of outstanding Utilities Revenue Bonds, Series 1989, maturing April 1, 1999 to April 1, 2004, bearing interest of 11.00% and paying the costs of issuance of the bonds. The proceeds of \$1,495,054 (after payment of \$24,946 in issuance costs and fees and deposits) and \$26,000 transferred from the Sinking Fund were deposited into an irrevocable trust with an escrow agent to defease the Utilities Revenue Bonds, Series 1989, on April 1, 1999, at a 2.00% redemption premium. As a result, the Utilities Revenue Bonds, Series 1989, maturing April 1, 1999 to April 1, 2004, are considered to be defeased and the liability has been removed from the City's books. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$60,601 and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$51,474. The reacquisition price exceeded the net carrying amount of the old debt by \$106,450. This amount is being netted against the new debt and amortized over the new debt's life.

On December 2, 2002, the City issued \$875,000 of Refunding Certificates of Indebtedness, Series 2002, with an interest rate of 2.50% to 3.75% for the purpose of refunding \$550,000 of outstanding Refunding Bonds, Series 1992, maturing December 1, 2003, to December 1, 2007, bearing interest of 6.35% to 6.65%, and \$300,000 of Certificates of Indebtedness, Series 1997, maturing March 1, 2003 to March 1, 2007, bearing interest of 5.6% to 6.0% and paying the costs of issuance of the bonds. The proceeds of \$860,006, (after payment of \$14,994 in issuance costs and fees and deposits) were deposited into an irrevocable trust with an escrow agent to defease the Refunding Bonds, Series 1992, on December 2, 2002, at a 1% redemption premium, and the Certificates of Indebtedness, Series 1997, on December 2, 2002, at the principal amount, thereof plus accrued interest to the date of redemption. As a result, the Refunding Bonds, Series 1992, maturing December 1, 2003, to December 1, 2007, and Certificates of Indebtedness, Series 1997, maturing March 1, 2003, to March 1, 2007, are considered to be defeased and the liability has been removed from the City's books. This advance refunding was undertaken to reduce total debt service payments over the next four years by \$48,672 and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$45,035. The reacquisition price exceeded the net carrying amount of the old debt by \$5,500. This amount is being netted against the new debt and amortized over the new debt's life.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is substantially in compliance with all such significant limitations and restrictions for the year ended June 30, 2004.

(12) Compensated Absences

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. As of June 30, 2004, an accrual of \$27,925 for accumulated sick leave has been recorded. The amounts attributable to the governmental activities and business-type activities are \$16,789 and \$11,136, respectively.

Employees of the City earn vacation when they are hired and it is based upon the number of years of full-time service and varies from 5 to 15 days per year. Vacation leave cannot carryover to the following year. As of June 30, 2004, unpaid accumulated vacation leave totaled \$31,315. As of June 30, 2004, the amount attributable to the governmental activities and business-type activities are \$20,888 and \$10,427, respectively, since it is anticipated the liability will be liquidated with available financial resources.

(13) Flows of Funds; Restrictions on Use – Utilities Revenues

Under the terms of the \$1,790,000 Utilities Revenue Refunding Bonds, Series 1997, \$100,000 Utilities Revenue Bonds, Series 1994, \$875,000 Refunding Revenue Bonds, Series 2002 bond indentures dated January 29, 1997, April 1, 1994 and December 2, 2002, all income and revenues of every nature derived from the operation of the system are pledged and dedicated to the retirement of said bonds.

Bonds and Interest Sinking Fund

The City is required to set aside into a Utilities Revenue Bond Sinking Fund each month a sum equal to 1/6 of the interest falling due on the next payment dated plus 1/12 of the principal falling due on the next principal payment date. Funds deposited in this account are available only for the retirement of maturing bonds and interest.

Reserve Fund

The Utilities Revenue Bond Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the sinking fund as which there would otherwise default. The fund is required to be funded in an amount equal to the reserve fund requirement (\$304,415 at June 30, 2004).

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(14) Employee Retirement

The City has several pension plans covering substantially all of its employees, as follows:

- Municipal Employees' Retirement System of Louisiana
- State of Louisiana – Municipal Police Employees' Retirement System
- State of Louisiana – Firefighters' Retirement System
- Louisiana State Employees' Retirement System

Substantially all City employees are covered under the Municipal Employees' Retirement System of Louisiana except firemen, policemen, and judges, who are covered under the Firefighters' Retirement System, Municipal Police Employees' Retirement System, and Louisiana State Employees' Retirement System, respectively. Details concerning these plans follow:

Municipal Employees' Retirement System of Louisiana

Plan description:

The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the City are not eligible for membership in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Funding policy:

Plan members are required to contribute 5.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$62,375, \$53,334, and \$37,254, respectively, equal to the required contributions for each year.

State of Louisiana – Municipal Police Employees' Retirement System

Plan description:

The Municipal Police Employees' Retirement System (the System) is a cost-sharing multiple –employer public employee retirement system (PERS).

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Police Employees' Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana 70809-7017.

Funding policy:

Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 18.5% as established by State statute. The City's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$9,868, \$8,716, and \$7,763, respectively, equal to the required contributions for each year.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

State of Louisiana – Firefighters’ Retirement System

Plan description:

The Firefighters’ Retirement System (the System) is a cost-sharing multiple-employer public retirement system (PERS), as established and provided for by R.S. 11:2251 through 2269 of the Louisiana Revised Statutes (LRS).

Membership is mandatory as a condition of employment beginning on date employed if the employee is on a permanent basis as a firefighter, not participating in another public funded retirement system and under age fifty (50) at date of employment. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee’s years of creditable service. Final compensation is the employee’s monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Firefighters’ Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Firefighters’ Retirement System, Post Office Box 94095 Capitol Station, Baton Rouge, Louisiana 70804-9095.

Fund policy:

Plan members are required to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 21% of annual covered payroll. The contribution requirements of Plan members are established and may be amended by the System’s Board of Trustees. The City’s contributions to the System for the years ended June 30, 2004, 2003, 2002, were \$20,438, \$10,775, and \$9,033, respectively, equal to the required contributions for each year.

Louisiana State Employees’ Retirement System

Plan description:

The Louisiana State Employees’ Retirement System (the System) is a single-employer public employee retirement system established under the provisions of Title II, Section 401, of the Louisiana Revised Statutes of 1991, controlled and administered by a separate board of trustees.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

All State permanent employees are mandated by State Law to participate in the System and all elected or appointed officials are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 2-1/2% of their average annual compensation for every year of service plus \$300. Average compensation is the employee's monthly earnings during the 36 consecutive months that produce the highest average. Employees who terminate with at least the amount of creditable service stated previously and who do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by State statute.

The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213.

Funding policy:

Plan members (judges) are required to contribute 11.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.8% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2004, 2003, and 2002, were \$3,320, \$1,359 and \$1,359, respectively: equal to the required contributions for each year.

(15) Litigation and Claims

In August of 1973, a judgment in the amount of \$189,540, plus interest, was rendered in favor of the plaintiff in the case of Leroy J. Romero, et al vs. the City of Kaplan. The United States Fidelity & Guaranty Insurance Company, the City's insurer, has paid its policy limits of \$100,000 plus interest, leaving an outstanding judgment against the City of Kaplan for \$89,540, plus interest.

On January 3, 1994, the City entered into a consent judgment awarding Washington National Insurance Company \$25,998, plus attorney fees in the amount of \$6,000, plus legal interest from May 1, 1990 until paid for sums due on the group health and accident insurance policy.

In the opinion of the City's legal counsel, such judgments operate as an encumbrance against the City, although it is judicially unenforceable based on legal precedents, which have held that property, which is owned by the public and is being used for public purposes, is exempt from seizure. However, legal counsel further states that the property owned by a municipality, but which is being used in a nongovernmental, profit-making way, may be seized.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

As a result of this legal opinion, no provisions have been made in the financial statements for the amount of the outstanding judgments.

The City is also a defendant in various other lawsuits; however, management and counsel for the City of Kaplan are unable to reasonably estimate at this time the amount of liability in excess of insurance coverage which may be incurred if adverse decisions are rendered.

(16) Enterprise Fund Operations

Operations of the City of Kaplan's Utility System consists of electric and gas distribution systems, and water and sewer utilities. The City purchases electricity and gas for resale in its distribution systems from Entergy and Magnum Gas Marketing Company, respectively.

Plant and equipment acquired by the utility fund in years prior to 1975 have not been segregated on the accounting records in such a manner that the actual investment in each of the operating utility systems can be determined. For financial statement purposes, depreciation on such plant and equipment during those fiscal years were allocated to the individual operating departments on the ratio of gross utility sales in each department. Depreciation on additions to plant and equipment since 1975, have been charged directly to the applicable department. Other operating revenues and expenses which cannot be identified as applicable to a single department have been allocated on the basis of gross utility sales or, if associated with payroll, on the basis of payroll costs in the individual departments.

Operating results of the individual utilities for the year ended June 30, 2004, are as follows:

	Electric Dept.	Gas Dept.	Water Dept.	Sewerage Dept.	Total Enterprise Fund
Operating revenues	\$ 4,325,442	\$ 864,633	\$ 488,200	\$ 346,879	\$ 6,025,154
Operating expenses :					
Depreciation	68,648	82,600	141,221	92,169	384,638
Other	<u>2,877,374</u>	<u>703,781</u>	<u>290,179</u>	<u>227,012</u>	<u>4,098,346</u>
Total operating expenses	<u>2,946,022</u>	<u>786,381</u>	<u>431,400</u>	<u>319,181</u>	<u>4,482,984</u>
Operating income	<u>\$ 1,379,420</u>	<u>\$ 78,252</u>	<u>\$ 56,800</u>	<u>\$ 27,698</u>	<u>\$ 1,542,170</u>

(17) Leases

Operating leases:

In fiscal year 1999, the City entered into an operating lease for the use of a 1996 Case 580 L Backhoe. The lease was entered into on September 28, 1998, and has a five-year term ending on September 28, 2003. Total expenditures for this lease totaled \$1,891, \$7,556 and \$7,556 for the fiscal years ended June 30, 2004, 2003, and 2002, respectively.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

In fiscal year 2003, the City entered into an operating lease for the use of a John Deere 6410 Utility Tractor with a Rhino BD150 Ditch Back Mower. The lease was entered into on May 20, 2003, and has a three-year term ending on May 20, 2006. Total expenditures for this lease totaled \$14,079 and \$2,347 and for the year ended June 30, 2004 and 2003, respectively. The future minimum payments for this lease are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2005	\$ 14,079
2006	<u>11,733</u>
Total	<u>\$ 25,812</u>

In fiscal year 2004, the City entered into an operating lease for the use of six Dell computers and one laser printer. The lease entered into on September 24, 2003, and has a three year term ending on September 24, 2006. Total expenditures for this lease totaled \$4,297 for the year ended June 30, 2004. The future minimum payments for this lease are as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2005	\$ 5,789
2006	<u>5,789</u>
Total	<u>\$ 11,578</u>

(18) Compensation of City Officials

A detail of compensation paid to the Mayor and City Council for the year ended June 30, 2004, follows:

Levi J. Schexnider, Mayor	\$ 26,400
City Council:	
Dolores Broussard	4,200
Warren Whaley, Sr.	4,200
Jerry Landry	4,200
Linda Hardee	4,200
Jonathan Perry	<u>4,200</u>
Total	<u>\$ 47,400</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(19) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$25,000 per individual per year of coverage provided by the program.

During the fiscal year 1991, the City adopted the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. As required by the standard, a reconciliation of claims liabilities is shown below. All funds of the City participate in the program and make payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. For the years ended June 30, 2004, 2003, and 2002, the claims liability of \$57,586, \$151,405, and \$68,246, respectively, were reported in the Group Insurance Fund. The claims liability is based on the requirements of GASB Statement No. 10, which are that a liability for claims be reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Reconciliation of Claims Liabilities

Unpaid claims at June 30, 2003	\$ 151,405
Claims incurred	390,282
Claims payments	<u>(484,101)</u>
Unpaid claims at June 30, 2004	<u>\$ 57,586</u>

Claims payable of \$57,586 at June 30, 2004 was determined as follows:

A. Claims incurred prior to June 30, 2004 and paid in July, 2004 and August, 2004	\$ 53,010
B. Claims incurred prior to June 30, 2004 and pending at August 31, 2004	-
C. Provision for claims incurred but not reported	<u>4,576</u>
Total claims payable	<u>\$ 57,586</u>

The provision for claims incurred but not reported of \$4,576 was calculated utilizing historical information adjusted for current trends.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(20) Interfund Transactions

A. Interfund receivables and payables, by fund, at June 30, 2004 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds:		
General Fund	\$ 500	\$ 227,103
Sales Tax Fund	<u>528,752</u>	<u>-</u>
	<u>529,252</u>	<u>227,103</u>
Nonmajor funds:		
Police Special Fund	<u>-</u>	<u>500</u>
Total governmental funds	<u>529,252</u>	<u>227,603</u>
Proprietary funds:		
Enterprise fund	<u>-</u>	<u>301,649</u>
Total	<u>\$ 529,252</u>	<u>\$ 529,252</u>

The amounts due from the General Fund from various other funds are for reimbursements owed for expenditures paid for those funds.

B. Transfers consisted of the following at June 30, 2004:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General Fund	\$ 1,662,867	\$ 260,481
Sales Tax Fund	<u>-</u>	<u>185,356</u>
Total major funds	1,662,867	445,837
Proprietary Fund -		
Enterprise Fund	<u>253,314</u>	<u>1,470,344</u>
Total	<u>\$ 1,916,181</u>	<u>\$ 1,916,181</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(21) Subsequent Events

The City of Kaplan is in the process of constructing a new wastewater treatment facility which will cost approximately \$6,205,000. The City presently has two notes (See Note 10), which consist of interim financing for this project. Upon completion of the interim financing the United States Department of Agriculture (USDA) will assume this debt, and the city will be obligated to USDA in the amount of \$2,720,000. Once the proceeds of the notes are fully expended the City will receive a Rural Development grant in the amount of \$2,485,000 and a \$1,000,000 Louisiana Community Development Block Grant to complete the construction project.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004		Actual	Variance with Final Budget Positive (Negative)	2003 Actual
	Budget				
	Original	Final			
Revenues:					
Taxes	\$ 25,450	\$ 64,250	\$ 61,039	\$ (3,211)	\$ 56,136
Licenses and permits	149,300	149,300	190,984	41,684	176,706
Intergovernmental	26,000	26,000	22,569	(3,431)	130,023
Fines and forfeitures	30,000	30,000	29,479	(521)	38,827
Miscellaneous	17,100	21,100	33,541	12,441	94,828
Total Revenues	<u>247,850</u>	<u>290,650</u>	<u>337,612</u>	<u>46,962</u>	<u>496,520</u>
Expenditures:					
Current -					
General government	549,465	574,265	604,818	(30,553)	612,824
Public safety	901,300	916,900	934,254	(17,354)	909,426
Streets, bridges, and drainage	463,015	457,365	473,745	(16,380)	471,158
Culture and recreation	37,820	36,820	39,983	(3,163)	37,228
Total expenditures	<u>1,951,600</u>	<u>1,985,350</u>	<u>2,052,800</u>	<u>(67,450)</u>	<u>2,030,636</u>
Deficiency of revenues over expenditures	<u>(1,703,750)</u>	<u>(1,694,700)</u>	<u>(1,715,188)</u>	<u>(20,488)</u>	<u>(1,534,116)</u>
Other financing sources (uses):					
Transfers in	1,900,500	1,960,250	1,662,867	(297,383)	1,726,584
Transfers out	<u>(227,000)</u>	<u>(350,550)</u>	<u>(260,481)</u>	<u>90,069</u>	<u>(171,472)</u>
Total other financing sources (uses)	<u>1,673,500</u>	<u>1,609,700</u>	<u>1,402,386</u>	<u>(207,314)</u>	<u>1,555,112</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(30,250)	(85,000)	(312,802)	(227,802)	20,996
Fund balance, beginning	<u>98,278</u>	<u>98,278</u>	<u>98,278</u>	<u>-</u>	<u>77,282</u>
Fund balance, ending	<u>\$ 68,028</u>	<u>\$ 13,278</u>	<u>\$ (214,524)</u>	<u>\$ (227,802)</u>	<u>\$ 98,278</u>

CITY OF KAPLAN, LOUISIANA
Special Revenue Fund
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2004
With Comparative Actual Amounts for the Year Ended June 30, 2003

	2004			Variance with Final Budget Positive (Negative)	2003 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Sales tax	\$ 485,000	\$485,000	\$ 485,735	\$ 735	\$458,445
Intergovernmental - grant	2,100	2,100	7,783	5,683	15,647
Interest income	1,000	1,000	1,081	81	978
Miscellaneous	-	-	37,398	37,398	100
Total revenues	<u>488,100</u>	<u>488,100</u>	<u>531,997</u>	<u>43,897</u>	<u>475,170</u>
Expenditures:					
Current -					
General government	<u>196,450</u>	<u>210,475</u>	<u>205,968</u>	<u>4,507</u>	<u>232,422</u>
Capital outlay -					
Public safety	33,605	33,400	33,350	50	57,095
Streets, bridges, and drainage	85,520	31,800	31,744	56	20,393
Culture and recreation	2,100	-	-	-	36,753
Administration	<u>37,600</u>	<u>46,600</u>	<u>33,974</u>	<u>12,626</u>	<u>25,793</u>
Total capital outlay	<u>158,825</u>	<u>111,800</u>	<u>99,068</u>	<u>12,732</u>	<u>140,034</u>
Total expenditures	<u>355,275</u>	<u>322,275</u>	<u>305,036</u>	<u>17,239</u>	<u>372,456</u>
Excess of revenues over expenditures	132,825	165,825	226,961	61,136	102,714
Other financing uses:					
Transfers out	<u>(132,825)</u>	<u>(165,825)</u>	<u>(185,356)</u>	<u>(19,531)</u>	<u>(123,590)</u>
Excess (deficiency) of revenues over expenditures and other uses	-	-	41,605	41,605	(20,876)
Fund balances, beginning	<u>953,021</u>	<u>953,021</u>	<u>953,021</u>	-	<u>973,897</u>
Fund balances, ending	<u>\$ 953,021</u>	<u>\$953,021</u>	<u>\$ 994,626</u>	<u>\$ 41,605</u>	<u>\$953,021</u>

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004		Actual	Variance with Final Budget Positive (Negative)	2003 Actual
	Budget				
	Original	Final			
Revenues:					
Taxes -					
Ad valorem	\$ 25,450	\$ 64,250	\$ 61,039	\$ (3,211)	\$ 56,136
Licenses and permits:					
Occupational licenses	123,200	123,200	161,842	38,642	144,880
Franchise fees	15,000	15,000	17,742	2,742	19,404
Beer permits	8,000	8,000	8,160	160	9,680
Other permits	3,100	3,100	3,240	140	2,742
Total licenses and permits	<u>149,300</u>	<u>149,300</u>	<u>190,984</u>	<u>41,684</u>	<u>176,706</u>
Intergovernmental:					
Beer tax revenue	12,000	12,000	14,652	2,652	10,611
State revenue sharing	4,000	4,000	4,480	480	5,198
Other	10,000	10,000	3,437	(6,563)	114,214
Total intergovernmental	<u>26,000</u>	<u>26,000</u>	<u>22,569</u>	<u>(3,431)</u>	<u>130,023</u>
Fines and forfeitures	<u>30,000</u>	<u>30,000</u>	<u>29,479</u>	<u>(521)</u>	<u>38,827</u>
Miscellaneous:	<u>17,100</u>	<u>21,100</u>	<u>33,541</u>	<u>12,441</u>	<u>94,828</u>
Total revenues	<u>\$247,850</u>	<u>\$290,650</u>	<u>\$337,612</u>	<u>\$ 46,962</u>	<u>\$496,520</u>

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004		Actual	Variance with Final Budget Positive (Negative)	2003 Actual
	Budget				
	Original	Final			
General government:					
Legislative -					
Salaries - mayor and city council	\$ 47,000	\$ 47,000	\$ 47,400	\$ (400)	\$ 47,400
Payroll taxes	5,000	2,775	3,533	(758)	3,603
Retirement	3,600	2,050	2,046	4	1,632
Insurance	2,000	5,775	6,771	(996)	4,448
Total legislative	<u>57,600</u>	<u>57,600</u>	<u>59,750</u>	<u>(2,150)</u>	<u>57,083</u>
Judicial -					
Salaries	25,960	29,010	29,002	8	26,713
Payroll taxes	1,250	2,250	2,152	98	1,609
Retirement	3,420	3,420	3,320	100	2,899
Insurance	29,000	39,630	39,695	(65)	33,917
Appropriation to Vermilion Parish Police Jury	16,211	11,451	11,443	8	10,274
Legal and accounting	-	8,080	8,075	5	-
Miscellaneous	6,500	4,300	4,197	103	4,059
Total judicial	<u>82,341</u>	<u>98,141</u>	<u>97,884</u>	<u>257</u>	<u>79,471</u>
General and administrative -					
Salaries	131,800	122,800	124,978	(2,178)	125,097
Payroll taxes	9,600	8,600	8,596	4	8,792
Retirement	10,664	11,664	11,921	(257)	13,234
Unemployment	6,500	4,500	3,970	530	3,620
Insurance	65,010	71,510	83,400	(11,890)	78,439
Legal and accounting	83,000	87,000	93,511	(6,511)	85,727
Office supplies	5,800	10,800	12,738	(1,938)	18,804
Travel and training	2,500	2,500	1,802	698	2,917
Official journal publication and advertisement	13,500	13,500	14,842	(1,342)	21,735
Repairs and maintenance	5,500	7,000	5,630	1,370	8,656
Computer services	3,700	3,700	5,215	(1,515)	7,015
Dues and subscriptions	2,850	4,850	5,133	(283)	3,083
Telephone and utilities	33,800	33,800	33,353	447	30,677
Engineering fees	2,000	-	-	-	2,164
Miscellaneous	3,950	2,950	5,596	(2,646)	34,893
Total general and administrative	<u>380,174</u>	<u>385,174</u>	<u>410,685</u>	<u>(25,511)</u>	<u>444,853</u>

(continued)

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004			Variance with Final Budget Positive (Negative)	2003 Actual
	Budget		Actual		
	Original	Final			
Civil service -					
Salaries	16,450	17,820	19,597	(1,777)	19,191
Payroll Taxes	1,350	1,350	1,360	(10)	1,474
Retirement	1,600	1,500	1,497	3	1,190
Insurance	7,350	9,450	10,815	(1,365)	7,241
Legal	-	290	281	9	38
Office supplies	700	950	942	8	420
Telephone and utilities	800	650	676	(26)	764
Miscellaneous	1,100	1,340	1,331	9	1,099
Total civil service	<u>29,350</u>	<u>33,350</u>	<u>36,499</u>	<u>(3,149)</u>	<u>31,417</u>
Total general government	<u>549,465</u>	<u>574,265</u>	<u>604,818</u>	<u>(30,553)</u>	<u>612,824</u>
Public safety -					
Police department:					
Salaries	402,980	397,980	398,266	(286)	412,116
Payroll Taxes	29,375	29,375	32,096	(2,721)	35,148
Retirement	8,800	8,800	9,868	(1,068)	8,716
Insurance	169,710	184,710	185,179	(469)	168,953
Travel and training	3,800	6,800	8,773	(1,973)	4,881
Repairs and maintenance	23,500	18,500	16,899	1,601	29,234
Telephone and utilities	20,050	20,050	19,723	327	16,198
Prisoners' board	7,950	10,950	11,386	(436)	8,010
Auxiliary police	4,000	4,000	3,310	690	3,940
Uniforms and supplies	8,900	6,900	10,837	(3,937)	12,311
Miscellaneous	26,700	38,000	42,167	(4,167)	33,185
Total police department	<u>705,765</u>	<u>726,065</u>	<u>738,504</u>	<u>(12,439)</u>	<u>732,692</u>
Fire department:					
Salaries	99,000	92,000	93,665	(1,665)	94,457
Payroll taxes	9,880	9,880	7,845	2,035	8,408
Retirement	25,000	21,000	20,438	562	10,775
Volunteer fire department retirement	13,200	13,200	11,747	1,453	13,210
Insurance	47,480	54,480	62,016	(7,536)	47,165
Repairs and maintenance	700	-	-	-	85
Miscellaneous	275	275	39	236	2,634
Total fire department	<u>195,535</u>	<u>190,835</u>	<u>195,750</u>	<u>(4,915)</u>	<u>176,734</u>
Total public safety	<u>901,300</u>	<u>916,900</u>	<u>934,254</u>	<u>(17,354)</u>	<u>909,426</u>

(continued)

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2004
With Comparative Actual Amounts for Year Ended June 30, 2003

	2004			Variance with Final Budget Positive (Negative)	2003 Actual
	Budget		Actual		
	Original	Final			
Streets, bridges, and drainage -					
Salaries	249,500	219,500	222,719	(3,219)	229,586
Payroll taxes	18,350	15,350	15,915	(565)	18,477
Retirement	12,400	14,400	16,138	(1,738)	13,306
Insurance	116,840	133,190	142,608	(9,418)	117,458
Repairs and maintenance	24,500	30,500	31,714	(1,214)	40,721
Telephone and utilities	7,600	10,600	9,591	1,009	9,278
Gravel, shell, and supplies	32,800	32,800	32,736	64	41,230
Miscellaneous	<u>1,025</u>	<u>1,025</u>	<u>2,324</u>	<u>(1,299)</u>	<u>1,102</u>
Total streets, bridges, and drainage	<u>463,015</u>	<u>457,365</u>	<u>473,745</u>	<u>(16,380)</u>	<u>471,158</u>
Culture and recreation -					
Salaries	13,000	11,810	11,805	5	12,443
Payroll taxes	995	860	856	4	928
Retirement	475	920	919	1	778
Insurance	5,100	3,420	3,418	2	4,362
Supplies	250	270	269	1	450
Repairs and maintenance	600	870	870	-	868
Telephone and utilities	1,100	2,000	1,998	2	1,137
Park expense	16,000	15,610	18,792	(3,182)	16,071
Miscellaneous	<u>300</u>	<u>1,060</u>	<u>1,056</u>	<u>4</u>	<u>191</u>
Total culture and recreation	<u>37,820</u>	<u>36,820</u>	<u>39,983</u>	<u>(3,163)</u>	<u>37,228</u>
Total expenditures	<u>\$ 1,951,600</u>	<u>\$1,985,350</u>	<u>\$2,052,800</u>	<u>\$ (67,450)</u>	<u>\$ 2,030,636</u>

NONMAJOR GOVERNMENTAL FUNDS

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2004

With Comparative Totals for June 30, 2003

	<u>Special Revenue</u>		<u>Debt Service</u>	
	Fire	Police	General	Certificate
	Protection	Special	Obligation	of
	Fund	Fund	Bonds,	Indebtedness
			Series 1995	Series 1992
			A & B	Sinking
			Sinking	Sinking
			Fund	Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$86,310	\$ 11,602	\$179,695	\$ -
Due from other governmental entities	-	602	-	-
Accrued interest receivable	<u>372</u>	<u>237</u>	<u>134</u>	<u>-</u>
Total assets	<u>\$86,682</u>	<u>\$ 12,441</u>	<u>\$179,829</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:				
Reserve for debt retirement	-	-	179,829	-
Unreserved - undesignated	<u>86,682</u>	<u>11,941</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>86,682</u>	<u>11,941</u>	<u>179,829</u>	<u>-</u>
Total liabilities and fund balances	<u>\$86,682</u>	<u>\$ 12,441</u>	<u>\$179,829</u>	<u>\$ -</u>

Totals	
<u>2004</u>	<u>2003</u>
\$277,607	\$245,881
602	839
<u>743</u>	<u>941</u>
<u>\$278,952</u>	<u>\$247,661</u>

<u>\$ 500</u>	<u>\$ 670</u>
---------------	---------------

179,829	161,752
<u>98,623</u>	<u>85,239</u>
<u>278,452</u>	<u>246,991</u>
<u>\$278,952</u>	<u>\$247,661</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2004
 With Comparative Totals for Year Ended June 30, 2003

	Special Revenue		Debt Service	
	Fire Protection	Police Special	General Obligation Bonds, Series 1995 A & B Sinking Fund	Certificate of Indebtedness Series 1992
Revenues:				
Intergovernmental	\$ 75,845	\$ 8,732	\$ 86,543	\$ -
Interest income	650	-	1,504	-
Miscellaneous	17,602	-	-	170
Total revenues	<u>94,097</u>	<u>8,732</u>	<u>88,047</u>	<u>170</u>
Expenditures:				
Public safety -				
Travel and training	1,000	-	-	-
Repairs and maintenance	6,983	-	-	-
Telephone and utilities	13,203	-	-	-
Uniforms and supplies	6,095	-	-	-
Equipment	1,515	-	-	-
Supplies		2,667	-	-
Miscellaneous	9,477	8,555	-	-
Capital outlay	40,120	-	-	-
Debt service -				
Principal retirement	-	-	35,000	-
Interest paid	-	-	32,970	-
Paying agent fees	-	-	2,000	-
Total expenditures	<u>78,393</u>	<u>11,222</u>	<u>69,970</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	15,704	(2,490)	18,077	170
Other financing sources:				
Transfer in	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	15,704	(2,490)	18,077	170
Fund balances, beginning	<u>70,978</u>	<u>14,431</u>	<u>161,752</u>	<u>(170)</u>
Fund balances, ending	<u>\$ 86,682</u>	<u>\$11,941</u>	<u>\$179,829</u>	<u>\$ -</u>

Totals	
<u>2004</u>	<u>2003</u>
\$ 171,120	\$ 124,000
2,154	2,551
<u>17,772</u>	<u>175</u>
<u>191,046</u>	<u>126,726</u>
1,000	945
6,983	13,235
13,203	12,604
6,095	5,895
1,515	879
2,667	1,338
18,032	4,768
40,120	-
35,000	115,000
32,970	37,571
<u>2,000</u>	<u>2,000</u>
<u>159,585</u>	<u>194,235</u>
31,461	(67,509)
<u>-</u>	<u>33,701</u>
31,461	(33,808)
<u>246,991</u>	<u>280,799</u>
<u>\$ 278,452</u>	<u>\$ 246,991</u>

NONMAJOR SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Parish Fire Protection Fund -

To account for monies received from the Vermilion Parish Police Jury to defray costs of the fire department.

Police Special Fund -

To account for monies received from a 15% dedication of court fines received by the General Fund and used to defray costs of the police department.

CITY OF KAPLAN, LOUISIANA
 Nonmajor Special Revenue Funds
 Parish Fire Protection Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2004
 With Comparative Actual Amounts for the Year Ended June 30, 2003

	2004		Variance - Favorable (Unfavorable)	2003 Actual
	Budget	Actual		
Revenues:				
Intergovernmental -				
Appropriation from Vermilion Parish Police Jury	\$48,240	\$32,240	\$ (16,000)	\$ 32,240
Federal sources	-	43,605	43,605	-
Interest income	-	650	650	-
Other income	-	17,602	17,602	917
Total revenues	<u>48,240</u>	<u>94,097</u>	<u>45,857</u>	<u>33,157</u>
Expenditures:				
Current -				
Public safety - fire				
Travel and training	1,000	1,000	-	945
Repairs and maintenance	6,990	6,983	7	13,235
Telephone and utilities	13,200	13,203	(3)	12,604
Uniforms and supplies	6,100	6,095	5	5,895
Equipment	1,520	1,515	5	879
Miscellaneous	8,670	9,477	(807)	1,338
Capital outlay	10,760	40,120	(29,360)	2,037
Total expenditures	<u>48,240</u>	<u>78,393</u>	<u>(30,153)</u>	<u>36,933</u>
Excess (deficiency) of revenues over expenditures	-	15,704	15,704	(3,776)
Fund balance, beginning	<u>70,978</u>	<u>70,978</u>	-	<u>74,754</u>
Fund balance, ending	<u>\$70,978</u>	<u>\$86,682</u>	<u>\$ 15,704</u>	<u>\$ 70,978</u>

CITY OF KAPLAN, LOUISIANA
 Nonmajor Special Revenue Fund
 Police Special Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2004
 With Comparative Actual Amounts for Year Ended June 30, 2003

	2004		Variance - Favorable (Unfavorable)	2003 Actual
	Budget	Actual		
Revenues:				
Fines - court	\$ 6,200	\$ 6,061	\$ (139)	\$ 6,792
Intergovernmental - state	1,000	2,671	1,671	1,904
Miscellaneous	-	-	-	175
Total revenues	<u>7,200</u>	<u>8,732</u>	<u>1,532</u>	<u>8,871</u>
Expenditures:				
Current -				
Public safety - police				
Supplies	2,667	2,667	-	-
Miscellaneous	4,533	8,555	(4,022)	2,731
Total expenditures	<u>7,200</u>	<u>11,222</u>	<u>(4,022)</u>	<u>2,731</u>
Excess (deficiency) of revenues over expenditures	-	(2,490)	2,490	6,140
Fund balance, beginning	<u>14,431</u>	<u>14,431</u>	-	<u>8,291</u>
Fund balance, ending	<u>\$ 14,431</u>	<u>\$ 11,941</u>	<u>\$ 2,490</u>	<u>\$ 14,431</u>

NONMAJOR DEBT SERVICE FUNDS

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Certificates of Indebtedness, Series 1992 Sinking Fund -

To accumulate monies for the payment of the Certificate of Indebtedness, Series 1992 issued in the amount of \$680,000. The Certificates were issued for the purpose of constructing and acquiring improvements to the utility system and City jail and to refund the Certificate of Indebtedness, Series 1986. The certificates are financed by excess annual revenues.

General Obligation Bonds, Series 1995 A & B Sinking Fund -

To accumulate monies for the payment of the General Obligation Bonds, Series 1995 A & B issued in the amounts of \$500,000 and \$300,000, respectively. The 1995A bonds were issued for the purpose of constructing, improving, and resurfacing public streets. The 1995B bonds were issued for the purpose of constructing and improving drains and drainage facilities. Both bond issues are financed by specifically dedicated ad valorem tax levies.

CITY OF KAPLAN, LOUISIANA

Nonmajor Debt Service Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 For the Year Ended June 30, 2004
 With Comparative Totals for Year ended June 30, 2003

	General Obligation Bonds, Series 1995 A & B Sinking Fund	Certificates of Indebtedness Series 1992 Sinking Fund	Totals	
			2004	2003
Revenues:				
Taxes - ad valorem	\$ 86,543	\$ -	\$ 86,543	\$ 83,064
Interest income	1,504	-	1,504	1,634
Other income	-	170	170	-
Total revenues	<u>88,047</u>	<u>170</u>	<u>88,217</u>	<u>84,698</u>
Expenditures:				
Debt service -				
Principal retirement	35,000	-	35,000	115,000
Interest paid	32,970	-	32,970	37,571
Paying agent fees	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Total expenditures	<u>69,970</u>	<u>-</u>	<u>69,970</u>	<u>154,571</u>
Excess (deficiency) of revenues over expenditures	18,077	170	18,247	(69,873)
Other financing sources :				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,701</u>
Excess (deficiency) of revenues and expenditures over other financing sources and other uses	18,077	170	18,247	(36,172)
Fund balances, beginning	<u>161,752</u>	<u>(170)</u>	<u>161,582</u>	<u>197,754</u>
Fund balances, ending	<u>\$179,829</u>	<u>\$ -</u>	<u>\$ 179,829</u>	<u>\$ 161,582</u>

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
June 30, 2004 and 2003

Records maintained by the City indicated the following number of customers were being serviced during the month of June, 2004 and 2003.

<u>Department</u>	<u>2004</u>	<u>2003</u>
Electric (metered)	2,095	2,111
Gas (metered)	1,752	1,775
Water (metered)	2,322	2,328
Sewerage	2,169	2,184

CITY OF KAPLAN, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
Year Ended June 30, 2004

Insurer	Assets Covered	Risks Covered	Limits of Coverage (in Dollars)	Expiration Date
Louisiana Municipal Risk Management Association Hanover Insurance Company	Municipal employees All assets, with certain listed exceptions Automobiles	Workmen's compensation, Employer liability Fire, lightning and extended coverage; malicious mischief Bodily injury	Statutory \$7,817,701 500,000 500,000	4/7/2005 9/1/2004 7/1/2005
Louisiana Municipal Risk Management Association	Operations of insured (with listed exclusions)	Property damage Bodily injury	500,000 500,000	7/1/2005 1/1/2005
Louisiana Municipal Risk Management Association	Police operations	Property damage	500,000	1/1/2005
Louisiana Municipal Risk Management Association	Public officials	General liability	500,000	1/1/2005
Audubon Indemnity Company	Automobiles	General liability	500,000	1/1/2005
Fireman's Fund- Hopkin's Agency	Equipment	Physical damage	357,609	1/1/2005
Western Surety Company	Police Secretary	Equipment floater	5,000	7/1/2005
Western Surety Company	Police Secretary	Dishonesty Bond	5,000	1/23/2007
Western Surety Company	Police Dispatcher	Dishonesty Bond	5,000	12/7/2004
Western Surety Company	Police Dispatcher	Dishonesty Bond	5,000	11/30/2004
Western Surety Company	Chief	Dishonesty Bond	5,000	12/14/2006
Western Surety Company	Deputy City Marshall	Dishonesty Bond	5,000	2/1/2006
Fidelity & Deposit Company of Maryland	Public Official	Dishonesty Bond	5,000	7/14/2005
Zurich North America	City Clerk	Dishonesty Bond Blanket Bonds	100,000 100,000	1/1/2005 9/21/2003

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2004 and 2003

	<u>Totals</u>		<u>Electricity</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Operating revenues:				
Customers service charges	\$ 6,025,154	\$5,896,248	\$ 4,325,442	\$4,179,889
Operating expenses:				
Salaries	401,430	401,356	173,782	156,446
Benefit payments:				
Payroll taxes	29,304	31,336	12,742	12,585
Retirement	26,534	21,653	11,229	8,210
Insurance	127,640	98,696	43,152	32,986
Insurance	73,154	66,908	30,961	24,060
Electricity and gas purchased	3,014,206	2,794,545	2,487,785	2,288,925
Operating supplies	66,656	97,809	25,523	26,611
Office supplies and expenses	13,727	13,771	8,505	8,233
Professional fees	24,115	-	1,763	11,648
Repairs and maintenance	137,534	100,970	23,272	44,862
Telephone and utilities	100,476	88,288	1,875	5,714
Bad debt expense	36,943	53,729	24,382	38,148
Depreciation	384,638	377,701	68,648	67,059
Miscellaneous	46,627	21,189	32,403	12,543
Total operating expenses	<u>4,482,984</u>	<u>4,167,951</u>	<u>2,946,022</u>	<u>2,738,030</u>
Net operating income	<u>\$ 1,542,170</u>	<u>\$1,728,297</u>	<u>\$ 1,379,420</u>	<u>\$1,441,859</u>

Gas		Water		Sewerage	
2004	2003	2004	2003	2004	2003
<u>\$864,633</u>	<u>\$881,891</u>	<u>\$ 488,200</u>	<u>\$492,831</u>	<u>\$346,879</u>	<u>\$341,637</u>
59,378	60,740	86,868	91,677	81,402	92,493
4,286	4,516	6,249	7,242	6,027	6,993
4,505	3,607	5,658	4,583	5,142	5,253
30,545	21,601	33,413	25,031	20,530	19,078
21,085	20,227	11,418	13,087	9,690	9,534
526,421	505,620	-	-	-	-
15,120	22,206	13,606	29,524	12,407	19,468
2,524	2,334	1,643	2,212	1,055	992
10,371	1,721	7,266	1,312	4,715	985
20,571	27,487	50,232	22,320	43,459	6,301
331	1,196	66,866	53,929	31,404	27,449
6,650	8,059	3,694	4,298	2,217	3,224
82,600	80,648	141,221	137,615	92,169	92,379
1,994	4,080	3,266	2,648	8,964	1,918
<u>786,381</u>	<u>764,042</u>	<u>431,400</u>	<u>395,478</u>	<u>319,181</u>	<u>286,067</u>
<u>\$ 78,252</u>	<u>\$117,849</u>	<u>\$ 56,800</u>	<u>\$ 97,353</u>	<u>\$ 27,698</u>	<u>\$ 55,570</u>

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

* A Professional Accounting Corporation

The Honorable Levi Schexnider, Mayor
and Members of the City Council
City of Kaplan, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 04-1(C).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kaplan, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted no matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Kaplan, Louisiana, in a separate letter dated September 9, 2004.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, the City of Kaplan's management, and Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
September 9, 2004

CITY OF KAPLAN, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended June 30, 2004

<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>CURRENT YEAR (6/30/04) --</u>					
<u>Compliance</u> 04-1(C) 2004	The City is in violation of the sinking fund requirements which states the city should deposit a sum equal to the total amount of principal and interest falling due on the next principal and interest payment date.	No	The City will deposit the correct amount of funds required by the bond covenants.	Levi Schexnider, Mayor	6/30/2005
<u>Management Letter</u>					
04-1(ML) 2004	While updating internal controls, it was noted that the City does not have a procedure in place to monitor inventory purchased by the Utility Fund.	No	The City will develop a method of inventory control in order to monitor inventory purchased by the Utility Fund.	Levi Schexnider, Mayor	6/30/2005
<u>PRIOR YEAR (6/30/03) --</u>					
<u>Compliance</u> 03-1(C) 2003	The City violated LSA-RS 39:1310 which states that the City should notify in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more.	Yes	The City will take measures to ensure that they are not in violation of LSA-RS 39:1310	Levi Schexnider, Mayor	6/30/2004
<u>Management Letter</u>					
03-1(ML) 2003	During our testing of accounts receivables, it was noted that the City's utility clerk posted the fuel adjustment incorrectly which resulted in the City under billing utility customers.	Yes	The City will start reviewing all utility billings before the bills are posted and sent to customers.	Levi Schexnider, Mayor	6/30/2004
03-2(ML) 2003	While updating internal controls, it was noted that the City does not have a procedure in place to monitor inventory purchased by the Utility Fund.	No	The City will develop a method of inventory control in order to monitor inventory purchased by the Utility Fund.	Levi Schexnider, Mayor	6/30/2004